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The Director of Central Intelligence

Washington, D.C. 20505

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National Intelligence Council

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29 July 1987

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA: National Intelligence Officer for Warning

FROM:
Assistant National Intelligence Officer for NESA

SUBJECT: NESA Warning and Forecast Report, July 1987

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1. The NESA Warning Meeting for July covered two topics.
2. Iran: Internal Politics and Gulf Policy. CIA led the discussion, noting the lack of significant differences among the senior Iranian leadership over Gulf policy despite considerable political infighting and factionalism over other issues.

As far as the ground war is concerned, there is no indication that any differences over war policy have affected Iran's strategy. Although, there has been no strategic change, one can argue that Iran is laying the groundwork--by increasing activity in the Gulf and seeking alliances with Iraqi Kurdish groups--for a shift from a war of grand offensives with heavy casualties to a "war of the periphery."

CIA sees no particular significance in Iran's belligerent behavior and diplomatic rows with France and Britain. It is typical for Iran to act reasonably as long as events favor it, but to become intransigent when challenged. Such behavior reflects overconfidence based on Iran's experience in dealing with the West over the last few years.

Iran is unquestionably becoming increasingly isolated, but it still thinks it can exploit the recent UN resolution calling for a ceasefire in the war. Iran believes that enough key players have reservations about endorsing sanctions, fearing such a move would damage their relations with Iran, that the second resolution on sanctions will fail. Iran believes the first resolution will have very little impact if it is not followed up by sanctions.

NIO/NESA asked whether current Iranian pugnaciousness might reflect Majlis Speaker Rafsanjani's determination that his credentials were damaged by the US arms sales to Iran and that he must toe a harder line in order to reestablish his leadership. Both INR and CIA doubt that this is the case.

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The change in Rafsanjani's behavior came only after US reflagging intentions became clear; he no doubt recognizes there is no room for any hint of flexibility on the reflagging issue. Moreover, a variety of reporting indicates that that Rafsanjani has shown a conciliatory attitude on other issues.

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[redacted] CIA believes that Khamenei has generally been among those who want to wind down the war, worrying that big offensives are potentially destabilizing for the regime. NSA pointed out that in the short term--at least until Iraq resumes attacking ships, as the Community believes it will--the rhetoric works in Iran's favor.

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[redacted] The Iranians still believe US and Kuwaiti resolve can be broken. Based on evidence of Iranian terrorist tasking, Tehran may attempt some dramatic act in hopes of galvanizing opinion against the reflagging program. There is no indication that Iran is looking for more hostages, however.

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The state of Khomeini's health continues to be a key unknown complicating the Community's efforts to forecast internal developments.

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2. India: Gandhi's Woes. State/INR led the discussion, noting that reporting from Embassy New Delhi is beginning to sound worried about Gandhi's political future. The Community generally agrees that Rajiv is in a tight spot and would not win if an election were held today. However, there seems to be a consensus--if not optimism--that Rajiv still has time to turn his political fortunes around before the scheduled 1989 election.

On the surface, it looks like Rajiv should be in good shape:

--his Congress (I) controls 75 percent of the seats in parliament and over half of the state legislatures;

--recently passed legislation makes the changing of party affiliation by parliamentary delegates virtually impossible;

--the opposition is fragmented.

Rajiv is clearly in trouble, however, and the respite granted by the Congress (I) victory in the recent presidential election is apt to shortlived.

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--He is no longer seen as "Mr. Clean"; if he is not associated with corruption, he is at least implicated in a cover-up. This particular problem goes back to a legal change banning corporate donations to political parties. Much of the questionable transfers of funds involving Swedish and West German defense contractors probably are traceable to Congress (I) coffers. More damaging disclosures are likely.

--Rajiv's second major source of troubles is the erosion of support among Congress (I) politicians. His advisers are seen to be "yuppies" who have no resonance among the Indian masses. Gandhi's coattails have worn thin, as the recent electoral debacle in the Hindi-belt, Congress (I) heartland state of Haryana demonstrated. A group of legislators in Uttar Pradesh (UP) state, the most important of the Hindi-speaking states, reportedly is prepared to bolt Congress (I) and is attempting to mobilize dissidents there. The party also appears to have lost the support of two key minorities, the Muslims and the harijan (untouchables).

--Gandhi is running scared, as his purge of party notables and the expulsion of former Finance Minister V.P. Singh--who charged the government with trying to cover up the kickback scandals--suggests. His espousal of a more leftist, populist position at home is an attempt to balance his elitist image, as is a renewed emphasis on ties to Moscow--including his recent visit with Gorbachev. Gandhi is also showing signs of instability in his personal behavior.

INR believes a credible effort by Congress (I) dissidents to rally around V.P. Singh, who retains his seat in parliament, already is under way. CIA and NSA, however, find it difficult to imagine that corrupt older Congress (I) politicians would back someone who was genuinely a reformer, even for expediency's sake. Cooperation and a common platform among them in support of V.P. Singh would be elusive, as the dissidents have competing personal agendas.

Gandhi can be expected to take a number of steps in an effort to give his government a new look and optimism. He will shuffle his Cabinet to include more Congress (I) stalwarts, who are not as pro-Western as he is. Gandhi may also talk about party elections, which have not been held for 17 years. [NOTE: Gandhi did, in fact, make minor changes to his Cabinet the weekend of 25-26 July. For the most part, these were stop-gap measures designed to reassign vacant portfolios. Gandhi indicated a major reshuffling might take place after the monsoon parliamentary session ends next month.]

INR spelled out some of the implications of Gandhi's political troubles for Indian policy:

--some of his new advisers are apt to be the leftist, manipulative confidants of his mother, and Gandhi may come to believe he needs the support of the Communist Party just as his mother did during the 1969 Congress (I) revolt. [CIA believes, as Embassy reporting indicates, that the influence of the Indian Communist Party in domestic politics has declined in recent years.]

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--The economic liberalization program is likely to slow, although it would be difficult to undo some measures;

--More populist programs can be expected even though it is clear Gandhi is elitist;

--On China and Pakistan, Gandhi is likely to follow a cautious policy--no confrontation, but no concessions, either;

--Sri Lanka may be one area where activism and a tougher line might be more popular;

--Indian foreign policy elsewhere will be characterized by a lack of innovation;

--Gandhi's rhetoric will take a more leftist slant, although he will probably remain committed to Western high technology;

--Gandhi may figure that an acceleration of the nuclear program would be popular.

DIA agrees that Gandhi tends to have a short-term view of things and may not see the pitfalls in trying to achieve a cheap victory using the tougher line on Sri Lanka. The more he supports the extremist Tamil Tigers, the more it works against his efforts to soften communalism in India. Sri Lanka, moreover, could become a military entanglement for India. (NOTE: India and Sri Lanka signed a peace accord on 29 July that includes a provision for an Indian peacekeeping contingent.) INR tends to believe that neither Rajiv nor the Indian public would see it that way; after all, India split Pakistan without many repercussions at home.

[REDACTED] Gandhi's choice of advisers will be a key indicator of whether he can turn things around. Efforts by Congress (I) dissidents to split the party bear monitoring. The dissidents may try to build a base around V.P. Singh--the new "Mr. Clean"--that could be a base to topple Gandhi during the inevitable next crisis; an important restraining factor thus far has been the lack of an alternative to Gandhi's leadership.

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The Community believes Gandhi will continue to support relations with the United States and the West as sources of high technology. The heightened leftist rhetoric from Gandhi, however, and the likely absence of influence from pro-Western advisers, will make interpretation of his intentions more difficult.

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